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31 August 1960



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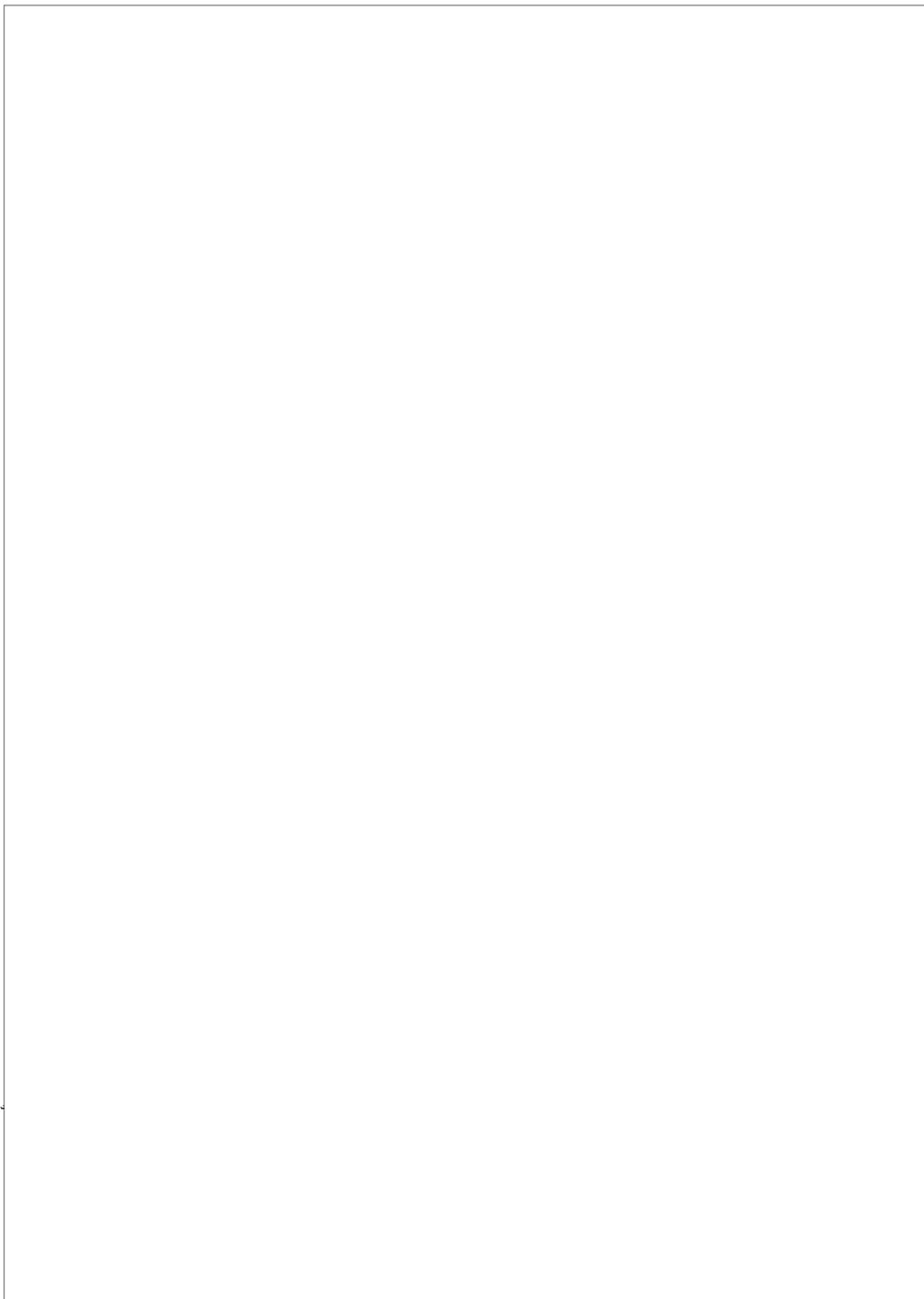
CENTRAL INTELLIGENCE BULLETIN



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31 AUGUST 1960

I. THE COMMUNIST BLOC

Khrushchev resumes attempts to intimidate Shah. ①

Communist China and North Korea open way for direct trade with Japan. ②

II. ASIA-AFRICA

Turkey may reassess legal status of foreign military personnel. ③

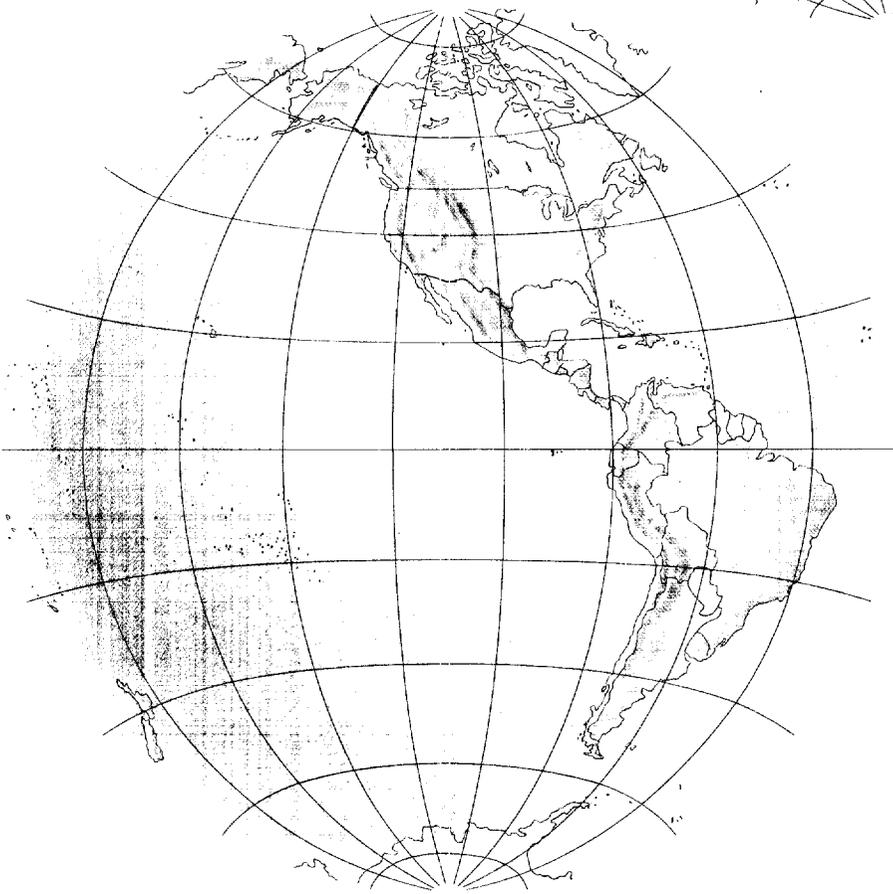
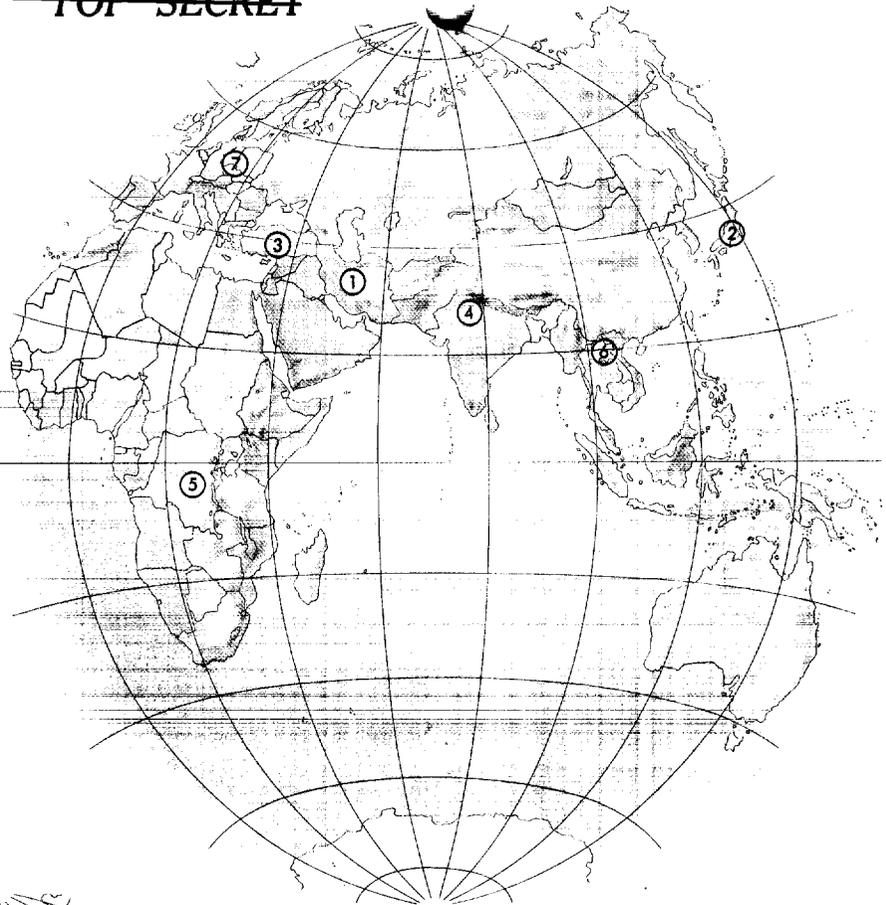
India accepts new Soviet credit. ④

The situation in the Congo. ⑤

LATE ITEMS

The situation in Laos. ⑥

Watch Committee report and USIB conclusions on East German assertion of claim to restrict access to Berlin. ⑦



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CENTRAL INTELLIGENCE BULLETIN

31 August 1960

DAILY BRIEF

SIRAB

I. THE COMMUNIST BLOC

USSR-Iran: Khrushchev, after receiving the Shah's reply to his mid-July letter on 18 August, [redacted]

[redacted] Iran had failed to respond to the USSR's initiative and warned that "time will teach its lesson." He claimed to have detailed knowledge of participation by American and British officials in preparing the Shah's response. Khrushchev's remarks [redacted] have shocked the Shah--were intended again to impress the Shah with the capabilities of Soviet intelligence and to aggravate his doubts regarding the loyalty of high Iranian officials. The Soviet premier expressed the view at the Communist meetings at Bucharest in June that the Iranian people would oust the Shah "at no distant date"--an opinion that has been echoed by several other bloc officials in recent weeks. [redacted]

(Page 1)

Communist China - North Korea - Japan: Communist China has moved to resume direct trade with Japan, which was broken off in 1958. Chou En-lai, while expressing preference for a government-level trade agreement, [redacted]

[redacted] even in the absence of such an agreement, trade can be resumed under contracts between industrial interests, possibly on a long-term basis. [Coincident with the Chinese offer, North Korea has offered iron ore concentrate to Japan as a strong inducement to trade.] The Ikeda government, which has already announced its intention to hold general elections around November, reacted promptly and favorably to Chou's approach. The Ikeda government, like its predecessor, has been seeking a formula for promoting trade with Communist China, North Korea, and other Communist countries without granting diplomatic recognition. [redacted]

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II. ASIA-AFRICA

Turkey: The military regime in Turkey may be in the process of reassessing the question of the jurisdiction of Turkish courts over foreign military personnel in Turkey under the NATO status-of-forces agreement. [redacted]

[redacted] the Turkish Foreign Ministry requested detailed information as to how these matters are dealt with in other NATO member countries. The Menderes regime interpreted the status-of-forces agreement very liberally, although cases arising under it were often subjects of popular tension. Historically, the Turks have been particularly sensitive on the question of extraterritorial rights, and the present regime may take a somewhat stricter view, especially on the question of determination of duty status. [redacted]

no

India-USSR: India's acceptance of a new Soviet credit of about \$125,000,000 brings to about \$500,000,000 the total Soviet commitment to India's Third Five-Year Plan, scheduled to begin in April 1961. The Soviet offer was in response to an Indian request by Finance Minister Desai during his June visit to the USSR, and was apparently granted following an exchange of correspondence between Nehru and Khrushchev in August. Khrushchev also indicated that further aid would be considered later. In making its announcement at this time, New Delhi may have taken into account the meeting of the consortium of Western nations which will be held under World Bank auspices on 12 September to consider aid for India's Third Plan. [redacted]

OK

Congo: The Belgian Army on 30 August completed evacuation from its bases in the Congo--except for 1,000 to 1,500 technicians who will maintain the bases at Kamina and Katona--and yielded them to UN control. About 100 Belgians will continue to serve with the Katanga troops and police. Meanwhile, in neighboring Kasai Province, Lumumba's small expeditionary force has clashed with Baluba tribal supporters of Kalonji who rallied after Lumumba's force seized the capital of the secessionist "Mining

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State." Premier Lumumba briefly visited the area, reportedly to supervise preparations for an invasion of Katanga.

Delegates at the conference of African leaders in Leopoldville agree on the need for Congolese unity and cooperation with the UN; but only Guinea supports Lumumba's proposed military campaign against Katanga. Both Ethiopia and Sudan have proposed a meeting of Lumumba and Tshombé under conference auspices. [redacted] (Page 3)

LATE ITEMS

*Laos Situation as of 0230 EDT: Captain Kong Le has declared the new Souvanna Phouma cabinet, formed on 30 August, to be unsatisfactory, after having previously indicated his approval. Further efforts are being made to induce him to change his mind, but members of the new cabinet are said to consider an attack on Vientiane to be "one solution" should Kong Le remain adamant. Since all of the other major adversaries in the crisis generated by Kong Le's coup seem to have reached a new accommodation, Kong Le appears to be politically isolated. Alliance with the Communist Pathet Lao would seem to be his only alternative to acceptance of the new government. OK

Despite Kong Le's last minute obstructionism, officials in Luang Prabang are going ahead with the confirmation and investiture of the new government. The process should be completed in a day or so. Souvanna's new cabinet is a fusion of the small neutralist cabinet he hastily put together two weeks ago in Vientiane and the countercoup forces of General Phoumi. Although Phoumi was defense minister in the Somsanith regime, he has accepted the lesser post of minister of interior in the new government. With Souvanna acting as his own defense minister and General Ouane as secretary of state for defense, Phoumi's role in army affairs will probably be curtailed. Souvanna presumably remains committed to his program of strict neutrality and peace talks with the Pathet Lao. [redacted] (Page 5)

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~~TOP SECRET~~**WATCH COMMITTEE SPECIAL REPORT
AND USIB CONCLUSIONS**

1. The East German announcement at 1800Z on 30 August concerning the "misuse of West Berlin for war and revanchist incitement" consisted of (a) a Declaration by the East German Council of Ministers, and (b) an order of the East German Ministry of the Interior, as follows:
 - (a) The Declaration of the Council of Ministers asserts that West Berlin has not only been misused in the past, in violation of the Potsdam agreements and the UN Charter but between 1 and 4 September two "incitement rallies" are scheduled for West Berlin. The Council states that it has a "responsibility for the safeguarding of peace," and announces an intention to "stop, by all the means at its disposal, the militarist and revanchist machinations from West Germany." Necessary orders will be given to prevent the misuse of East German territory and its traffic routes, including those in East Berlin. The Western Powers are warned that they must "also bear responsibility for the revanchist incitement (in West Berlin) and all the consequences that may flow from it." The declaration points out that the use of the air corridors "for the transport of militarists and revanchists" will not be permitted since the corridors "were instituted solely and exclusively for supplying the troops of the three Western Powers stationed in West Berlin."
 - (b) The order of the Ministry of the Interior states that citizens of the German Federal Republic will not be allowed to enter East Berlin between 31 August and 4 September without a valid permit in accordance with the 3 September 1956 ordinance of the Minister of the Interior, and that any German Federal Republic

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citizen entering East Berlin during this period will be "called to account" according to the criminal code of the East German government. The implementation of the order apparently began shortly after 30 August.

2. In response to these announcements, [redacted]
[redacted] the local party chiefs (a) to take immediate charge and ensure that all local headquarters in which are located transit railways stations servicing routes to West Berlin be "occupied immediately until recall," (b) to organize immediately groups to inform the local population and railway station personnel, and (c) to inform party chiefs of the "major enterprises in perimeter localities" that they will "convince the workers tonight on the night shifts, explaining the necessary defense measures to them, and arranging for statements on the part of workers and intelligentsia welcoming the steps taken by the government." There was no explanation of what "defense measures" meant.
3. No alert or unusual movements of East German armed forces or police have been noted.
4. [redacted] a possible alert of Soviet ground forces in East Germany was instituted at approximately 1440Z, 30 August. Other than this alert, there appears to be no recent ground force activity in the Group of Soviet Forces, Germany which can be regarded as unusual.
5. No alerts were noted specifically for the Soviet 24th Tactical Air Army in East Germany, but its units maintain a high state of readiness. During the period 23 through 28 August this air army was noted in exercises including a large-scale air defense exercise and participation in ground force exercises. There are indications that both ground and air exercises are continuing.

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Conclusions

The announced East German intention to take all measures necessary to prevent the use of routes from West Germany to Berlin in connection with scheduled refugee meetings in West Berlin does not specify what measures are planned. The East Germans can without difficulty and with little immediate risk deny ground access by West Germans to Berlin. The East Germans have the capability seriously to harass air access between West Germany and West Berlin.

There is no reliable evidence regarding the degree to which the East Germans and the Soviets may exercise their capabilities to control access to West Berlin. However, it appears likely that the East Germans will exercise some degree of control over ground access and discriminate against selected travelers from West Germany. Since it would be difficult to interfere with air access on a selective basis and indiscriminate interference would involve risks of serious incidents, physical interference in this field appears unlikely. The Communists, however, may hope that their other actions and statements may induce western air lines to curtail their operations or refuse space to meeting participants.

The Communists' moves are probably designed to weaken the Western position regarding Berlin in hopes of later obtaining agreements with respect to Berlin along lines they desire. By threatening West German access in a case on which the West could be expected to be less than enthusiastic the Communists may hope to show West Germans that the Western powers are not reliable defenders of their interests.

Alternatively the East German moves could be preparation of a pretext for taking unilateral forcible action against West Berlin, although this appears unlikely in view of the risks involved.

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If the possible alert on 30 August of GSFG is related, it would be a precautionary measure should the Western Powers react with force to intended Communist moves. However, we do not see indications that the Soviet Union would at this time wittingly provoke an incident that would entail a serious risk of a major military clash with the West.

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~~TOP SECRET~~Khrushchev Attempts to Play on Shah's Nerves

[Khrushchev, apparently irked over Tehran's refusal to respond favorably to his mid-July letter calling on Iran to ban all foreign military bases and offering economic aid, has again attempted to undermine the Shah's confidence in his Western allies and the loyalty of high Iranian officials. The Soviet premier, who received the Iranian chargé on 18 August, while on vacation at Yalta, complained that the reply--a defense of Iran's pro-Western policies--did not respond to the USSR's initiatives and remarked that "we will have to wait until time will teach its lesson." Such remarks are intended to exploit the Shah's concern over his regime's stability in the face of the current election crisis.]

[Soviet leaders appear to be increasingly confident that the declining prestige and authority of the Shah will open the way to attempts by Iranian nationalists to overthrow the regime. Khrushchev is reliably reported to have expressed the view at the Communist meetings at Bucharest in June that the Iranian people would oust the Shah "at no distant date." Similar opinions have been expressed in recent weeks by several other bloc officials, and have been echoed in bloc radio propaganda attacks against the Iranian Government.]

[Khrushchev also claimed [redacted] that he has detailed knowledge of the participation by American and British officials in preparing the Shah's letter of reply. [redacted]

[redacted] these remarks shocked the Shah. Khrushchev has made similar boasts on a number of occasions in the past of the USSR's prowess in collecting information, especially in Tehran, and even claimed [redacted] that "our spies furnish us with very accurate information everywhere."]

[The Soviet leader concluded the interview by inviting [redacted] to accompany him on a visit to Sevastopol--an area normally out of bounds to Western personnel. The invitation, subsequently postponed by Soviet officials from 23 to 27 August, may have been extended to give [redacted] an opportunity to deliver a reply from the Shah to Khrushchev's statements.]

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~~SECRET~~India Accepts Additional Soviet Credit of \$125,000,000

Foreign Minister Desai announced on 30 August that India has accepted a new Soviet credit offer of \$125,000,000, to be allocated for projects under India's Third Five-Year Plan, scheduled to begin in April 1961. This brings to \$500,000,000 the total Soviet commitment to the Third Plan; in addition, India has accepted Third Plan credits amounting to about \$80,000,000 from Poland and Czechoslovakia.

[The latest Soviet offer was in response to an Indian request during Desai's June visit to Moscow and was apparently granted following an exchange of letters between Nehru and Khrushchev during August. Khrushchev is also reported to have indicated to Nehru that while \$125,000,000 was as much as Moscow would offer now, additional assistance would be considered later in the plan.]

[In making its announcement at this time, New Delhi may have taken into account the meeting of the consortium of Western nations which will be held under World Bank auspices from 12 to 14 September to consider India's Third Plan requirements.] The plan, which calls for an outlay of more than \$23 billion, will require about \$5.5 billion in foreign exchange for development projects and debt servicing. India's current foreign exchange reserves--the lowest in the nation's history--will permit no further substantial reductions, thereby forcing New Delhi to rely almost exclusively on external assistance to finance the foreign-exchange component of development costs.

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Situation in Congo

Evacuation of Belgian troops from the Congo bases of Kamina and Kitona was completed on 30 August except for up to 1,500 technicians who will maintain the bases during UN use. [The former commanders will be retained in a civilian capacity as administrators; technical personnel will be regarded as civilian employees under the UN technical assistance program.] The Belgian withdrawal satisfies the Security Council resolution but will probably not appease Lumumba. The continued presence of technicians may lead to further incidents instigated by Lumumba's supporters.

An additional hundred Belgian officers and noncoms will remain with Katanga's troops and police. They are expected to play a major role as Katanga's gendarmerie is increased from its present strength of 1,100 to 3,000 men during the next four weeks. Heavy Belgian military involvement on behalf of Katanga is suggested by the recent appeal for information on fighter planes made to the local American consul by a Belgian colonel, who was officially introduced as commander of the Katanga Air Force.

In Kasai Province, Baluba tribal supporters of Albert Kalonji and his secessionist "Mining State" attacked Lumumba's Congolese army force on 29 August. Earlier the Lumumba force had seized the Kalonji capital with little opposition, but on 29 August the tribesmen rallied. Lumumba briefly visited Kasai, reportedly to supervise preparations for an invasion of Katanga. As yet there have been no clashes between Lumumba's and Katanga's troops, but at some points the rival forces are only 20 miles apart. UN soldiers have fanned out from their Katanga bases to form a neutral screen.

Resolutions at the final session of the conference of African leaders in Leopoldville will probably stress the need for Congolese unity and urge Lumumba to cooperate closely with the UN. Only Guinea has supported Lumumba's proposed military campaign against Katanga, while the UAR has had second thoughts

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about its original offer of assistance. [REDACTED]
Ethiopia and Sudan have proposed that Lumumba and Tshombé
meet under conference auspices, and Tunisia's foreign minis-
ter has stated that the Katanga problem must be settled under
UN supervision. [REDACTED])

The Czech Government has offered to participate in the for-
mation of a Congo-Czech airline to replace the internal air facil-
ties of SABENA in the Congo, [REDACTED] The
UN organization in the Congo is considering a counter to this of-
fer in the form of a plan to form a joint Congo-UN air operation.
The UN organization would purchase the aircraft and recruit air
and ground personnel, while the Congo would contribute an ex-
clusive internal air transport franchise. In five years the air-
line might be turned over to the sole ownership of the Congo
Government if sufficient Congolese had been trained. [REDACTED]

~~TOP SECRET~~ [REDACTED]

~~SECRET~~Situation in Laos as of 0230 EDT

[Captain Kong Le has declared the new Souvanna Phouma cabinet, formed on 30 August in Vientiane, to be unsatisfactory, after having previously indicated his approval. General Ouane in Luang Prabang has dispatched a member of his staff, a close friend of Kong Le's, to Vientiane to induce the paratroop commander to change his mind. The emissary will reportedly stress to Kong Le that since the Communist Pathet Lao will be invited by Souvanna to "return to the fold," he will in effect be left without alternatives should he continue to oppose the new government. Ouane, General Phoumi, and most members of the new cabinet are reported in agreement that an attack on Vientiane is "one solution" if Kong Le remains adamant.]

[Unasmuch as Souvanna, Ouane, Phoumi and the king appear to have reached a new accommodation, reflected in the composition of the new cabinet, Kong Le does seem to be politically isolated. Alliance with the Pathet Lao would appear to be his only alternative to acceptance of the new government.]

[Despite Kong Le's last-minute obstructionism, officials in Luang Prabang are going ahead with the confirmation and investiture of the new government. The process should be completed in a day or so.]

[The new cabinet is essentially a fusion of the eight-man cabinet Souvanna hastily formed in Vientiane two weeks ago and five representatives of the Phoumi group. In addition to the premiership, Souvanna has kept for himself the key foreign affairs and defense portfolios. As interior minister and vice premier, Phoumi will enjoy substantial influence in the new government, but considerably less than he had in the Somsanith government as defense minister. With General Ouane, the armed forces commander, assisting]

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[Souvanna as secretary of state for defense, Phoumi's role in army affairs may be greatly curtailed--a probable concession to Kong Le.]

[The rest of the cabinet is undistinguished. The strongest leftist influence will be Quinim Pholsena, the controversial leader of the left-wing neutralist Santiphab party, who will serve as minister of information. He had been interior minister in the cabinet Souvanna formed in Vientiane.]

[Souvanna presumably remains committed to a program of strict neutrality and a new accommodation with the Communist Pathet Lao. This program accords with his own views on how to stabilize the situation in Laos; it also has been insisted upon by Kong Le and his paratroopers. In addition to personal animosities in the new government, the question of carrying out this program could be a source of serious contention between Souvanna and Phoumi and may eventually lead to a new crisis.]

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